BUFFALO CITY ECONOMIC ENTITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

I am responsible for the preparation of these Annual Financial Statements, which are set out herewith, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Economic Entity.

I certify that the salaries, allowances and benefits of Councillors are disclosed within these Annual Financial Statements and are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr.A. Fani
Acting Municipal Manager

Date 10/12/2010

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BUFFALO CITY ECONOMIC ENTITY
Annual Financial Statements
for the year ended 30 June 2010

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Mr. A. Fani
Acting Municipal Manager

Date

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The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

BUFFALO CITY ECONOMIC ENTITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Assets					
Current Assets					
Cash and cash equivalents	4	559,471,089	695,870,441	558,293,844	694,578,376
Inventories	5	91,419,656	64,213,171	91,419,656	64,213,171
Trade and other receivables from non-exchange transactions	6	19,382,719	26,758,364	18,909,287	26,731,850
VAT receivable	7	51,059,163	37,532,147	51,059,163	37,532,147
Operating lease asset	8	55,116,068	52,211,305	55,116,068	52,211,305
Consumer debtors	9	388,160,580	264,772,865	388,160,580	264,772,865
Long term receivables	10	10,776	17,806	10,776	17,806
Current tax receivable	11	122,107	122,107	-	-
		1,164,742,158	**1,141,498,206**	**1,162,969,374**	**1,140,057,520**
Non-Current Assets					
Intangible assets	12	12,070,565	11,089,916	12,070,563	11,089,916
Investment property	13	201,198,657	201,198,657	201,198,657	201,198,657
Long term receivables	10	82,330	93,106	82,330	93,106
Non current investments	14	4,410,946	3,709,525	4,410,946	3,709,525
Property, plant and equipment	15	12,615,739,211	12,581,581,457	12,615,684,565	12,581,486,325
Investment in associate	16	-	3,626,888	-	3,626,888
Deferred tax	17	36,345	42,119	-	-
		2,833,538,054	**12,801,341,668**	**12,833,447,061**	**12,801,204,417**
Total Assets		**13,998,280,212**	**13,942,839,874**	**13,996,416,435**	**13,941,261,937**
Liabilities					
Current Liabilities					
Borrowings	18	29,905,379	41,319,522	29,905,379	41,319,522
Consumer deposits	19	30,375,105	28,308,327	30,375,105	28,308,327
Finance lease obligation	20	834,147	744,716	834,147	744,716
Provisions	21	119,308,428	101,369,867	119,308,428	101,369,867
Trade and other payables	22	344,669,828	298,904,737	344,417,870	298,167,786
Unspent conditional grants and receipts	23	268,647,600	282,167,087	268,102,441	281,621,928
VAT payable	62	405,894	681,545	-	-
		794,146,381	**753,495,801**	**792,943,370**	**751,532,146**
Non-Current Liabilities					
Borrowings	18	506,805,746	536,989,896	506,805,746	536,989,896
Finance lease obligation	20	861,800	531,813	861,800	531,813
Provisions	21	33,207,701	71,613,709	33,207,701	71,613,709
Retirement benefit obligation	24	261,331,883	233,792,235	261,331,883	233,792,235
		802,207,130	**842,927,653**	**802,207,130**	**842,927,653**
Total Liabilities		**1,596,353,511**	**1,596,423,454**	**1,595,150,500**	**1,594,459,799**
Net Assets		**12,401,926,701**	**12,346,416,420**	**12,401,265,935**	**12,346,802,138**
Net Assets					
Revaluation reserve	25	16,620,963	17,194,100	16,620,963	17,194,100
Accumulated surplus		12,385,305,736	12,329,222,325	12,384,644,974	12,329,608,038
Total Net Assets		**12,401,926,699**	**12,346,416,425**	**12,401,265,937**	**12,346,802,138**

BUFFALO CITY ECONOMIC ENTITY
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Revenue	28&61	2,561,885,911	2,072,698,556	2,561,908,544	2,072,718,288
Other revenue	32	119,803,960	102,585,102	119,803,960	100,239,449
Operating expenses	33	(2,748,910,128)	(2,366,286,356)	(2,749,928,271)	(2,363,390,506)
Operating deficit		**(67,220,257)**	**(191,002,698)**	**(68,215,767)**	**(190,432,769)**
Investment revenue	49&38&61	87,066,244	83,532,134	87,009,341	83,343,492
Fair value adjustments	39	(3,087,502)	61,762	(3,087,502)	61,762
Income from equity accounted investments		-	1,189,087	-	1,189,087
Net Gain/ (Loss) on disposal of assets		1,076,212	3,383,856	1,076,212	3,383,856
Finance costs	41	(108,121,292)	(112,131,447)	(108,121,128)	(112,128,079)
Deficit before taxation		**(90,286,595)**	**(214,967,306)**	**(91,338,844)**	**(214,582,651)**
Taxation	64	(5,774)	(2,636)	-	-
Deficit for the year from continuing operations		**(90,292,369)**	**(214,969,942)**	**(91,338,844)**	**(214,582,651)**
Fair value movements in trade and other payables		241,801	2,515,473	241,801	2,515,473
Deficit for the year		**(90,050,568)**	**(212,454,469)**	**(91,097,043)**	**(212,067,178)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity			
Balance at 01 July 2008	**182,038,156**	**6,156,917,447**	**6,338,955,603**
Changes in net assets			
Surplus for the year	-	(212,454,469)	(212,454,469)
Transactions - Revaluation reserve	(164,844,056)	-	(164,844,056)
Asset take on	-	1,400,087,021	1,400,087,021
Adjustment of interest allocated to coid and insurance	-	(3,997,670)	(3,997,670)
VAT adjustment	-	(245,285)	(245,285)
Total changes	(164,844,056)	1,183,389,597	1,018,545,541
Opening balance as previously reported	17,194,100	7,340,307,044	7,357,501,144
Adjustments			
Prior year adjustments	-	4,988,915,281	4,988,915,281
Balance at 01 July 2009 as restated	**17,194,100**	**12,329,222,325**	**12,346,416,425**
Changes in net assets			
Surplus for the year	-	(90,050,568)	(90,050,568)
Take on of properties at deemed cost	-	145,560,842	145,560,842
Offset depreciation	(573,137)	573,137	-
Total changes	(573,137)	56,083,411	55,510,274
Balance at 30 June 2010	**16,620,963**	**12,385,305,736**	**12,401,926,699**
Note(s)	25		
Controlling entity			
Balance at 01 July 2008	**182,038,156**	**6,156,670,579**	**6,338,708,735**
Changes in net assets			
Surplus / (Deficit) for the year	-	(212,067,178)	(212,067,178)
Transactions - Revaluation reserve	(164,844,056)	-	(164,844,056)
Asset take on	-	1,400,087,026	1,400,087,026
Adjustment of interest allocated to coid and insurance	-	(3,997,670)	(3,997,670)
Total changes	(164,844,056)	1,184,022,178	1,019,178,122
Opening balance as previously reported	17,194,100	7,340,692,757	7,357,886,857
Adjustments			
Prior year adjustments	-	4,988,915,281	4,988,915,281
Balance at 01 July 2009 as restated	**17,194,100**	**12,329,608,038**	**12,346,802,138**
Changes in net assets			
Surplus / (Deficit) for the year	-	(91,097,043)	(91,097,043)
Take on of properties at deemed cost	-	145,560,842	145,560,842
Offset depreciation	(573,137)	573,137	-
Total changes	(573,137)	55,036,936	54,463,799
Balance at 30 June 2010	**16,620,963**	**12,384,644,974**	**12,401,265,937**
Note(s)	25,49,		

BUFFALO CITY ECONOMIC ENTITY

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Cash flows from operating activities					
Receipts					
Sale of goods and services		1,833,890,672	1,505,312,996	1,833,890,669	1,505,312,996
Grants		813,714,301	614,606,899	813,714,301	614,606,899
Interest income		86,980,601	83,366,676	86,923,698	83,178,034
Dividends received		85,643	165,458	85,643	165,458
Other receipts		-	202,184,178	-	199,547,201
		2,734,671,217	2,405,636,207	2,734,614,311	2,402,810,588
Payments					
Employee costs		(804,556,631)	(690,870,531)	(802,938,632)	(688,878,722)
Suppliers		(1,388,732,367)	(1,197,477,963)	(1,391,408,996)	(1,196,627,183)
Finance costs		(108,121,292)	(112,131,447)	(108,121,128)	(112,128,079)
Other payments		(122,947,382)	-	(121,483,480)	-
		(2,424,357,672)	(2,000,479,941)	(2,423,952,236)	(1,997,633,984)
Net cash flows from operating activities	46	**310,313,545**	**405,156,266**	**310,690,485**	**405,176,604**
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(423,234,056)	(366,574,722)	(423,496,175)	(366,574,722)
Proceeds from sale of property, plant and equipment	15	3,048,951	4,994,019	3,048,951	4,994,019
Purchase of other intangible assets	12	(2,915,659)	(2,402,910)	(2,915,659)	(2,402,910)
Net movement in financial assets		-	261,745	-	261,745
Movement in non current investments		(701,421)	1,927,565	(701,421)	1,927,565
PPE Transfers		18,268,163	-	18,268,163	-
Net cash flows from investing activities		**(405,534,022)**	**(361,794,303)**	**(405,796,141)**	**(361,794,303)**
Cash flows from financing activities					
Repayment of borrowings		(41,598,293)	43,495,612	(41,598,293)	43,495,612
Repayment of finance lease liability		419,418	(1,154,498)	419,418	(1,154,498)
Net cash flows from financing activities		**(41,178,875)**	**42,341,114**	**(41,178,875)**	**42,341,114**
Net increase/(decrease) in cash and cash equivalents		**(136,399,352)**	**85,703,077**	**(136,284,531)**	**85,723,415**
Cash and cash equivalents at the beginning of the year		695,870,441	610,167,364	694,578,376	608,854,966
Cash and cash equivalents at the end of the year	4	**559,471,089**	**695,870,441**	**558,293,845**	**694,578,381**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land and buildings which are revalued. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value except for furniture and fittings, which are depreciated using the deminishing balance method using 10% per annum.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years
Plant and equipment	3-30 years
Motor vehicles	4-15 years
Office equipment	3-5 years
Electricity	10-60 years
Community	
• Buildings	30 years
• Recreation	20-30 years
Other properties	5-50 years

Accounting Policies

1.1 Property, plant and equipment (continued)

Leases	5 years
Roads	5-100 years
Wastewater network	5-80 years
Water network	10-150 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Residual values have been determined for all movable assets based on a percentage of the cost or fair value as follows:

10%	Office furniture and Equipment
20%-30%	Trucks and specialised vehicles
35%	Other vehicles
40%	Buses
40%	Fire engines

1.2 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.2 Intangible assets (continued)

Item	Useful life
Computer software, other	3 years

1.3 Financial instruments

Classification

The economic entity classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the economic entity becomes a party to the contractual provisions of the instruments.

The economic entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the economic entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Financial instruments designated as available-for-sale

Available for sale financial assets (AFS) are financial assets that are not classified as:
- LAR financial assets;
- HTM investments; or
- FVTP financial assets.

AFS financial assets must be measured at fair value. Gains or losses on an AFS financial asset must be recognised directly in equity.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies

1.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the economic entity's accounting policy for borrowing costs.

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or the incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.5 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

At each reporting date a review is carried out to determine whether there are any indications that any assets or cash generating units may be impaired. If such indications exist, the recoverable amounts of the affected assets are determined.

Where the recoverable amount of an assset or cash-generating unit is lower than its carrying amount, an impairment loss is recognised in profit for the period in respect of assets carried at historic cost , and against revaluation surpluses in respect of assets carried at revalued amounts.

1.7 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their

Accounting Policies

1.8 Employee benefits (continued)

entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the economic entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the economic entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.9 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

1.9 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity.

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 65.

1.10 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

Accounting Policies

1.11 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 24.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.12 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.12 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.13 Investment in associate

An associate is an entity over which Buffalo City Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for Buffalo City Municipality's share of operating surpluses/ (deficits) less any dividends received.

Where Buffalo City Municipality or its Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where Buffalo City Municipality is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

Buffalo City Municipality uses the most recent available financial statements of the associate in applying the equity method. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

1.14 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.15 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and Dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of

Accounting Policies

1.21 Irregular expenditure (continued)

or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.25 Revaluation reserve

The surplus arising from the revaluation of property is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Notes to the Annual Financial Statements

	Economic entity	Controlling entity

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the withdrawal of the following new or revised standards as per Directive 5 as issued by the Accounting Standard Board:

- IPSAS21 Impairment of Non-Cash Generating Assets
- IAS36 Impairments

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity’s accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the economic entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the economic entity’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the economic entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;

3. New standards and interpretations (continued)

- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the economic entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the economic entity; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 July 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Cash-generating assets are those assets held by a economic entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a economic entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, a economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a economic entity applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a economic entity estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a economic entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a economic entity in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a economic entity pays fixed contributions into a

3. New standards and interpretations (continued)

separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the economic entity that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a economic entity provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:
- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:
- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:
- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:
- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

3. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one economic entity and a financial liability or residual interest in another economic entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle a economic entity to a portion of another economic entity’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a economic entity considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a economic entity subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another economic entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A economic entity measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A economic entity is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a economic entity can however designate such an instrument to be measured at fair value.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

A economic entity can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a economic entity has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a economic entity has transferred control of the asset to another economic entity.

A economic entity derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a economic entity modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A economic entity cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a economic entity’s statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a economic entity is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A economic entity is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The economic entity does not envisage the adoption of the standard until such time as it becomes applicable to the economic entity's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,699,760	1,662,314	2,699,760	1,662,126
Bank balances	54,603,176	105,521,090	54,469,209	105,488,510
Short-term deposits	502,167,591	586,300,871	501,124,875	585,042,396
Current portion of non-current investments	562	2,386,166	-	2,385,344
	559,471,089	**695,870,441**	**558,293,844**	**694,578,376**

No cash and cash equivalents (or portions thereof) was pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

The municipality had the following bank accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
STANDARD BANK - Primary Account - 081-221-495	124,060,031	175,020,838	122,622,759	51,217,667	100,171,241	78,248,742
STANDARD BANK - Collection Account - 081-245-882	-	982,668	1,323,052	-	982,668	1,326,452
STANDARD BANK - Market Account - 081-246-072	1,270,839	2,259,486	443,616	(1,268,510)	(1,170,843)	(1,178,254)
STANDARD BANK - Inter Authority Account - 081-246-250	1,477,965	1,477,656	1,474,866	1,477,695	1,477,656	1,474,866
STANDARD BANK - Prism Account - 081-246-048	-	-	-	3,042,357	4,027,788	1,902,467
FIRST NATIONAL BANK - OPERATING ACCOUNT - 620-987-17899	133,967	34,080	55,979	133,967	32,580	559,798
Total	**126,942,802**	**179,774,728**	**125,920,272**	**54,603,176**	**105,521,090**	**82,334,071**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

5. Inventories

Electricity store	9,554,252	14,146,344	9,554,252	14,146,344
Workshop stores	261,007	295,271	261,007	295,271
Consumable stores	33,451,283	29,901,203	33,451,283	29,901,203
Water	23,512,928	16,142,396	23,512,928	16,142,396
Fuel (Diesel, Petrol)	1,583,138	1,285,233	1,583,138	1,285,233
Unsold water	1,601,331	1,443,060	1,601,331	1,443,060
Housing stock	22,380,488	1,748,604	22,380,488	1,748,604
	92,344,427	64,962,111	92,344,427	64,962,111
Inventories (write-downs)	(924,771)	(748,940)	(924,771)	(748,940)
	91,419,656	**64,213,171**	**91,419,656**	**64,213,171**

Carrying value of stock is disclosed at cost.

Inventory pledged as security

No inventory was pledged as security.

6. Trade and other receivables from non-exchange transactions

Accrued income	14,381,285	22,735,033	14,377,939	22,728,781
Other debtors	4,531,348	4,003,069	4,531,348	4,003,069
Prepayments	20,272	-	-	-
Deposits	449,814	20,262	-	-
	19,382,719	**26,758,364**	**18,909,287**	**26,731,850**

Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Correction of error 2009: refer note 49

R 4 320 248 was adjusted in respect of accrued income.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Trade receivables

None of the financial assets that are fully performing have been re-negotiated in the last year.

Fair value of trade and other receivables

Due to the short term nature of trade and other receivables they are disclosed at face value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than that allowed by Council's policy are not considered to be impaired.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

7. VAT receivable

Net VAT receivable	51,059,163	37,532,147	51,059,163	37,532,147

VAT is payable on the receipt basis. VAT is only declared to SARS on receipt of payment from consumers.

8. Operating lease asset (accrual)

Current assets	55,116,068	52,211,305	55,116,068	52,211,305
	55,116,068	**52,211,305**	**55,116,068**	**52,211,305**

Correction of error 2009: refer note 49

Adjustment to the amount of R 828 463 was effected in respect of rental income.

Municipality as lessor: Operating leases minimum future receivables				
No later than one year	1,046,685	1,143,115	1,046,685	1,143,115
Later than one year no later than 5 years	5,011,918	4,774,335	5,011,918	4,774,335
Later than 5 years	161,278,182	162,562,450	161,278,182	162,562,450
	167,336,785	**168,479,900**	**167,336,785**	**168,479,900**

These leases are in respect of municipal properties that are leased to third parties. These leases are payable by lessees, either monthly or annualy. Leases payable monthly and annually by lessees escalate at annual fixed rates that vary between 0% and 12.5%.

No contingent rent was recognised as revenue because rental increases are escalated at a fixed percentage. Increases are not based on indices or bases that result in a fluctuating interest rate.

9. Consumer debtors

Gross balances				
Rates	149,281,040	117,240,072	149,281,040	117,240,072
Electricity	127,739,703	87,712,989	127,739,703	87,712,989
Water	181,668,441	154,053,324	181,668,441	154,053,324
Sewerage	90,261,814	80,960,180	90,261,814	80,960,180
Refuse	108,291,103	95,662,096	108,291,103	95,662,096
Housing rental	1,649,954	890,169	1,649,954	890,169
Sundries	76,542,544	69,741,448	76,542,544	69,741,448
	735,434,599	**606,260,278**	**735,434,599**	**606,260,278**
Less: Allowance for debt impairment				
Rates	(106,185,900)	(105,320,830)	(106,185,900)	(105,320,830)
Electricity	(60,431,435)	(49,405,977)	(60,431,435)	(49,405,977)
Water	(85,944,184)	(86,773,409)	(85,944,184)	(86,773,409)
Sewerage	(42,701,296)	(45,602,332)	(42,701,296)	(45,602,332)
Refuse	(51,230,640)	(53,883,461)	(51,230,640)	(53,883,461)
Housing rental	(780,564)	(501,404)	(780,564)	(501,404)
	(347,274,019)	**(341,487,413)**	**(347,274,019)**	**(341,487,413)**
Net balance				
Rates	43,095,140	11,919,242	43,095,140	11,919,242
Electricity	67,308,268	38,307,012	67,308,268	38,307,012
Water	95,724,257	67,279,915	95,724,257	67,279,915
Sewerage	47,560,518	35,357,848	47,560,518	35,357,848
Refuse	57,060,463	41,778,635	57,060,463	41,778,635

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
9. Consumer debtors (continued)				
Housing rental	869,390	388,765	869,390	388,765
Sundries	76,542,544	69,741,448	76,542,544	69,741,448
	388,160,580	**264,772,865**	**388,160,580**	**264,772,865**
Rates				
Current (0 -30 days)	31,203,231	23,090,848	31,203,231	23,090,848
31 - 60 days	9,337,327	6,657,845	9,337,327	6,657,845
61 - 90 days	6,301,127	4,373,331	6,301,127	4,373,331
91 - 120 days	4,512,062	7,065,240	4,512,062	7,065,240
121 - 365 days	37,381,350	25,999,931	37,381,350	25,999,931
> 365 days	60,545,942	50,052,877	60,545,942	50,052,877
	149,281,039	**117,240,072**	**149,281,039**	**117,240,072**
Electricity				
Current (0 -30 days)	94,050,207	64,794,252	94,050,207	64,794,252
31 - 60 days	5,260,521	3,575,073	5,260,521	3,575,073
61 - 90 days	3,505,986	2,334,294	3,505,986	2,334,294
91 - 120 days	3,292,757	1,429,150	3,292,757	1,429,150
121 - 365 days	11,066,320	5,298,207	11,066,320	5,298,207
> 365 days	10,563,913	10,282,012	10,563,913	10,282,012
	127,739,704	**87,712,988**	**127,739,704**	**87,712,988**
Water				
Current (0 -30 days)	34,531,383	29,225,782	34,531,383	29,225,782
31 - 60 days	10,832,480	8,535,057	10,832,480	8,535,057
61 - 90 days	5,473,560	6,720,897	5,473,560	6,720,897
91 - 120 days	5,839,549	8,122,721	5,839,549	8,122,721
121 - 365 days	42,606,229	29,238,833	42,606,229	29,238,833
> 365 days	82,386,239	72,210,034	82,386,239	72,210,034
	181,669,440	**154,053,324**	**181,669,440**	**154,053,324**
Sewerage				
Current (0 -30 days)	14,070,805	11,579,392	14,070,805	11,579,392
31 - 60 days	4,068,926	4,655,729	4,068,926	4,655,729
61 - 90 days	2,668,651	2,802,044	2,668,651	2,802,044
91 - 120 days	2,183,596	3,838,422	2,183,596	3,838,422
121 - 365 days	18,741,925	17,101,812	18,741,925	17,101,812
> 365 days	48,527,911	40,982,779	48,527,911	40,982,779
	90,261,814	**80,960,178**	**90,261,814**	**80,960,178**
Refuse				
Current (0 -30 days)	12,152,202	9,900,940	12,152,202	9,900,940
31 - 60 days	4,486,223	4,891,685	4,486,223	4,891,685
61 - 90 days	3,414,844	3,294,561	3,414,844	3,294,561
91 - 120 days	2,883,833	4,008,821	2,883,833	4,008,821
121 - 365 days	23,026,753	17,979,325	23,026,753	17,979,325
> 365 days	62,327,248	55,586,765	62,327,248	55,586,765
	108,291,103	**95,662,097**	**108,291,103**	**95,662,097**
Housing rental				
Current (0 -30 days)	63,357	61,093	63,357	61,093
31 - 60 days	50,225	39,891	50,225	39,891
61 - 90 days	34,353	30,903	34,353	30,903

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
9. Consumer debtors (continued)				
91 - 120 days	27,561	26,363	27,561	26,363
121 - 365 days	193,280	157,508	193,280	157,508
> 365 days	1,281,179	574,412	1,281,179	574,412
	1,649,955	**890,170**	**1,649,955**	**890,170**
Sundries				
Current (0 -30 days)	5,439,942	6,004,187	5,439,943	6,004,187
31 - 60 days	3,054,276	2,891,661	3,054,276	2,891,661
61 - 90 days	1,957,596	2,271,439	1,957,596	2,271,439
91 - 120 days	1,706,204	2,774,361	1,706,204	2,774,361
121 - 365 days	17,060,596	14,771,553	17,060,596	14,771,553
> 365 days	47,323,930	41,028,247	47,323,930	41,028,247
	76,542,544	**69,741,448**	**76,542,545**	**69,741,448**
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	90,635,371	73,890,054	90,635,371	73,890,054
31 - 60 days	26,528,549	24,901,223	26,528,549	24,901,223
61 - 90 days	17,235,052	17,166,415	17,235,052	17,166,415
91 - 120 days	14,968,502	24,780,012	14,968,502	24,780,012
121 - 365 days	134,239,604	91,878,883	134,239,604	91,878,883
> 365 days	288,287,111	244,003,727	288,287,111	244,003,727
	571,894,189	476,620,314	571,894,189	476,620,314
Less: Allowance for debt impairment	(275,138,818)	(273,833,416)	(275,138,818)	(273,833,416)
	296,755,371	**202,786,898**	**296,755,371**	**202,786,898**
Industrial/ commercial				
Current (0 -30 days)	90,541,092	63,806,799	90,541,092	63,806,799
31 - 60 days	9,243,364	5,282,897	9,243,364	5,282,897
61 - 90 days	5,674,463	3,756,155	5,674,463	3,756,155
91 - 120 days	5,062,932	2,432,998	5,062,932	2,432,998
121 - 365 days	14,861,052	16,455,531	14,861,052	16,455,531
> 365 days	24,196,138	25,896,626	24,196,138	25,896,626
	149,579,041	117,631,006	149,579,041	117,631,006
Less: Allowance for debt impairment	(72,135,201)	(67,653,997)	(72,135,201)	(67,653,997)
	77,443,840	**49,977,009**	**77,443,840**	**49,977,009**
National and provincial government				
Current (0 -30 days)	10,334,665	6,959,741	10,334,665	6,959,741
31 - 60 days	1,318,065	1,062,821	1,318,065	1,062,821
61 - 90 days	446,602	904,900	446,602	904,900
91 - 120 days	414,127	554,068	414,127	554,068
121 - 365 days	974,797	2,212,755	974,797	2,212,755
> 365 days	473,114	816,772	473,114	816,772
	13,961,370	**12,511,057**	**13,961,370**	**12,511,057**
Total				
Current (0 -30 days)	191,511,129	144,656,492	191,511,129	144,656,492
31 - 60 days	37,089,977	31,246,941	37,089,977	31,246,941
61 - 90 days	23,356,117	21,827,470	23,356,117	21,827,470
91 - 120 days	20,445,561	27,265,079	20,445,561	27,265,079
121 - 365 days	150,075,452	110,547,170	150,075,452	110,547,170

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
9. Consumer debtors (continued)				
> 365 days	312,956,363	270,717,125	312,956,363	270,717,125
	735,434,599	606,260,277	735,434,599	606,260,277
Less: Allowance for debt impairment	(347,274,019)	(341,487,413)	(347,274,019)	(341,487,413)
	388,160,580	**264,772,864**	**388,160,580**	**264,772,864**
Less: Allowance for debt impairment				
31 - 60 days	(23,680,510)	(23,116,008)	(23,680,510)	(23,116,008)
61 - 90 days	(14,911,974)	(16,147,628)	(14,911,974)	(16,147,628)
91 - 120 days	(13,053,697)	(20,170,288)	(13,053,697)	(20,170,288)
121 - 365 days	(95,817,350)	(81,781,104)	(95,817,350)	(81,781,104)
> 365 days	(199,810,488)	(200,272,385)	(199,810,488)	(200,272,385)
	(347,274,019)	**(341,487,413)**	**(347,274,019)**	**(341,487,413)**
Reconciliation of allowance account for debt impairment				
Balance at beginning of the year	341,487,413	241,971,477	341,487,413	241,971,477
Contributions to allowance account	24,317,321	131,551,928	24,317,321	131,551,928
Bad debts written off against allowance account	(19,427,016)	(32,035,992)	(19,427,016)	(32,035,992)
Other	896,301	-	896,301	-
	347,274,019	**341,487,413**	**347,274,019**	**341,487,413**

Consumer debtors pledged as security

No portion of accounts receivalble was pledged as security for any financial liabilities.

No security is held for any of the accounts receivable.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rates. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Consumer debtors impaired

As at 30 June 2010, consumer debtors of R 347 274 019 (2009: R 341 487 413) were impaired and provided for.

Amounts totalling R 19 427 016 (2009: R 32 035 992) were written off as uncollectable against the debt impairment allowance account. This represents 0.71% (2009: 1.55%) of the total operating income for the year.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

No portion is past due or impaired.

10. Long term receivables

Loans and receivables				
Sporting bodies and other loans	93,106	110,912	93,106	110,912
Non-current assets				
Sporting bodies and other loans	82,330	93,106	82,330	93,106
Current assets				
Sporting bodies and other loans	10,776	17,806	10,776	17,806

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

10. Long term receivables (continued)

	93,106	**110,912**	**93,106**	**110,912**

Sporting bodies: Loans were granted to sporting bodies before the implementation of the MFMA. No new loans have been issued and the remaining loans are redeemable up to 2016.

No security is held for any of the long term receivables.

No long term receivables defaulted and no terms of any of the long term receivables were re-negotiated.

No portion of the long term receivables was pledged as security for any financial liabilities.

The credit quality of long term receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

11. Current tax receivable

Balance at beginning of the year	122,107	57,640	-	-
Amount paid during the year	-	64,467	-	-
Balance at end of the year	(122,107)	(122,107)	-	-
	-	**-**	**-**	**-**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

12. Intangible assets

Economic entity	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	20,640,286	(8,569,721)	12,070,565	17,724,625	(6,634,709)	11,089,916

Controlling entity	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	20,640,284	(8,569,721)	12,070,563	17,724,625	(6,634,709)	11,089,916

Reconciliation of intangible assets - Economic entity - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	11,089,916	2,915,659	(1,935,012)	12,070,563

Reconciliation of intangible assets - Economic entity - 2009

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software, other	7,501,700	2,402,910	(238,654)	3,732,911	(2,308,951)	11,089,916

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

13. Investment property

Group	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	201,198,657	-	201,198,657	201,198,657	-	201,198,657

Company	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	201,198,657	-	201,198,657	201,198,657	-	201,198,657

Reconciliation of investment property - Economic entity - 2010

	Opening Balance	Total
Investment property	201,198,657	201,198,657

Reconciliation of investment property - Economic entity - 2009

	Opening Balance	Other changes, movements	Total
Investment property	-	201,198,657	201,198,657

No Investment Properties were pledged as security.

The total direct operating expenses (including repairs and maintenance) for all municipal properties was R 88 459 380 for the year ended 30 June 2010, which includes investment properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Operational expenditure regarding investment property earning rentals and those that are not earning rentals are not available.

At reporting date there are no cumulative fair value changes in the surplus and deficit for investment properties.

There are no restrictions on investment properties.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The value of investment property, comprising of land and buildings was determined using the extent of each property and structure. The extent was multiplied by the rate per square meter for the type of property and structure. The rate per square meter for each property and structure type was sourced from the Davis Langdon Property and Construction Handbook 2009. Land values were calculated in terms of the rate per square meter for different geographic areas within the municipality. In order to undertake this process, the land sizes for each property in the register were verified against the Deeds office, AS400 and Cadastre. In cases where no land sizes were provided in the register, the land size was sourced from the Deed, Cadastre and AS400 in that order. The calculation of rate per square meter for the different geographic areas within the municipality was then applied to any property with a valid land size.

The values were determined in-house by the Municipal valuer who is a Registered Professional Valuer with the South African Council for the Property Valuers Profession, Registration No 2417/0.

Rental income from investment properties for the 2009/10 financial year in respect of monthly and annual leases amounted to R1 143 116 (2008/09, R1 163 077).

14. Non current investments

These investments are classified financial assets as Loans and Receivables except for listed shares in Sanlam which are classified as Fair value through profit and loss.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

14. Non current investments (continued)

Fair value of investments are as at face value and Sanlam shares as at quoted market value at 30 June 2010.

No security is held for any of the non-current investments.

No non-current investments defaulted and no terms of any of the non-current investments were re-negotiated.

No portion of the non-current investments was pledged as security for any financial liabilities.

The credit quality of non-current investments that are neither past nor due nor impaired can be assessed by reference to external credit ratings. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Fixed deposits long-term	2,442,805	2,280,770	2,442,805	2,280,770
Listed shares Sanlam (Aquired upon demutualisation)	1,968,141	1,428,755	1,968,141	1,428,755
	4,410,946	**3,709,525**	**4,410,946**	**3,709,525**

15. Property, plant and equipment

Economic entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	3,419,747,171	-	3,419,747,171	3,203,672,262	-	3,203,672,262
Buildings	1,392,584,311	(49,903,353)	1,342,680,958	1,380,902,904	-	1,380,902,904
Plant and machinery	58,748,245	(20,975,992)	37,772,253	60,652,238	(21,509,042)	39,143,196
Furniture and fixtures	32,209,050	(11,929,699)	20,279,351	31,598,642	(11,536,143)	20,062,499
Motor vehicles	210,895,595	(87,007,862)	123,887,733	198,989,756	(78,572,430)	120,417,326
Office equipment	24,862,250	(10,776,569)	14,085,681	23,329,497	(13,082,141)	10,247,356
IT equipment	112,893	(112,876)	17	112,893	(108,653)	4,240
Electricity	1,783,860,790	(197,219,576)	1,586,641,214	1,742,445,354	(107,863,522)	1,634,581,832
Other properties	209,365,933	(22,991,161)	186,374,772	425,342,730	(16,975,078)	408,367,652
Recreational facilities	49,891,521	(450,333)	49,441,188	3,051,829	-	3,051,829
General	-	-	-	7,068,687	-	7,068,687
Leases	7,516,455	(4,613,653)	2,902,802	5,976,641	(3,819,549)	2,157,092
Roads	3,414,125,985	(370,974,353)	3,043,151,632	3,270,543,136	(158,538,131)	3,112,005,005
Wastewater network	1,373,439,116	(176,996,341)	1,196,442,775	1,311,511,186	(107,434,157)	1,204,077,029
Water network	1,525,436,256	(69,377,611)	1,456,058,645	1,456,229,899	(34,056,335)	1,422,173,564
Heritage	3,420,758	-	3,420,758	3,420,758	-	3,420,758
Community assets - buildings	136,485,233	(3,632,972)	132,852,261	10,228,226	-	10,228,226
Total	**13,642,701,562**	**(1,026,962,351)**	**12,615,739,211**	**13,135,076,638**	**(553,495,181)**	**12,581,581,457**

Controlling entity	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	3,225,976,307	-	3,225,976,307	3,203,672,262	-	3,203,672,262
Buildings	1,392,584,311	(49,903,353)	1,342,680,958	1,380,902,904	-	1,380,902,904
Plant and equipment	58,748,246	(20,975,993)	37,772,253	60,652,238	(21,509,042)	39,143,196
Furniture and fittings	32,055,977	(11,822,753)	20,233,224	31,445,568	(11,455,587)	19,989,981
Motor vehicles	210,895,595	(87,007,861)	123,887,734	198,989,756	(78,572,430)	120,417,326
Office equipment	24,812,872	(10,735,690)	14,077,182	23,280,119	(13,051,137)	10,228,982

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

15. Property, plant and equipment (continued)

Community assets - buildings	136,485,231	(3,632,972)	132,852,259	10,228,226	-	10,228,226
Other properties	403,136,796	(22,991,160)	380,145,636	425,342,730	(16,975,078)	408,367,652
Electricity	1,783,860,790	(197,219,576)	1,586,641,214	1,742,445,354	(107,863,522)	1,634,581,832
Recreational facilities	49,891,521	(450,333)	49,441,188	3,051,829	-	3,051,829
Leases	7,516,456	(4,613,653)	2,902,803	5,976,641	(3,819,549)	2,157,092
General	-	-	-	7,068,687	-	7,068,687
Wastewater network	1,373,439,115	(176,996,341)	1,196,442,774	1,311,511,186	(107,434,157)	1,204,077,029
Water network	1,525,436,255	(69,377,612)	1,456,058,643	1,456,229,899	(34,056,335)	1,422,173,564
Heritage	3,420,758	-	3,420,758	3,420,758	-	3,420,758
Roads	3,414,125,984	(370,974,352)	3,043,151,632	3,270,543,136	(158,538,131)	3,112,005,005
Total	**13,642,386,214**	**(1,026,701,649)**	**12,615,684,565**	**13,134,761,293**	**(553,274,968)**	**12,581,486,325**

Figures in Rand

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2010

	Opening balance	Additions	Disposals	Asset take-on	Other changes, movements	Depreciation	Total
Land	3,203,672,262	-	(757,649)	23,061,694	-	-	3,225,976,307
Buildings	1,380,902,904	11,681,407	-	-	-	(49,903,353)	1,342,680,958
Plant and equipment	39,143,196	5,025,419	-	-	-	(6,396,362)	37,772,253
Furniture and fittings	19,989,981	2,020,458	(157,117)	-	-	(1,620,098)	20,233,224
Motor vehicles	120,417,326	15,927,370	(1,024,558)	-	-	(11,432,404)	123,887,734
Office equipment	10,228,982	7,021,404	(63,311)	-	-	(3,109,894)	14,077,182
Community assets - buildings	10,228,226	17,267,857	-	108,989,148	-	(3,632,972)	132,852,259
Other properties	408,367,652	789,889	-	-	(22,995,823)	(6,016,082)	380,145,636
Electricity	1,634,581,832	50,090,221	-	-	-	(98,030,839)	1,586,641,214
Recreational facilities	3,051,829	33,329,692	-	13,510,000	-	(450,333)	49,441,188
Leases	2,157,092	-	-	-	1,539,815	(794,104)	2,902,803
General	7,068,687	-	-	-	(7,068,687)	-	-
Wastewater network	1,204,077,029	61,927,929	-	-	-	(69,562,184)	1,196,442,774
Water network	1,422,173,564	69,206,353	-	-	-	(35,321,274)	1,456,058,643
Heritage	3,420,758	-	-	-	-	-	3,420,758
Roads	3,112,005,005	149,208,176	-	-	10,256,535	(228,318,084)	3,043,151,632
	12,581,486,325	**423,496,175**	**(2,002,635)**	**145,560,842**	**(18,268,160)**	**(514,587,983)**	**12,615,684,565**

15. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2009

	Opening balance	Additions	Disposals	Asset take-on	Revaluations	Other changes, movements	Depreciation	Total
Land	106,400,245	-	(15,000)	-	3,291,057,881	(193,770,864)	-	3,203,672,262
Buildings	105,595,962	6,572,094	-	-	1,275,797,047	-	(7,062,199)	1,380,902,904
Electricity	1,562,436,990	92,821,867	-	73,979,134	-	-	(94,656,159)	1,634,581,832
Roads	1,970,524,825	83,518,964	-	1,199,526,886	-	-	(141,565,670)	3,112,005,005
Wastewater network	1,206,395,200	63,608,146	-	38,596,419	-	-	(104,522,736)	1,204,077,029
Water network	1,403,500,087	61,719,746	-	(8,989,934)	-	-	(34,056,335)	1,422,173,564
Community assets - buildings	71,039,717	7,821,990	-	-	(65,503,256)	-	(3,130,225)	10,228,226
Recreational facilities	31,163,346	3,425,009	-	-	(31,060,404)	1,418,500	(1,894,622)	3,051,829
Plant and equipment	17,924,558	17,031,556	-	5,077,201	-	3,480,954	(4,371,073)	39,143,196
Furniture and fittings	19,142,054	2,453,099	-	-	-	19,302	(1,624,474)	19,989,981
Motor vehicles	95,680,712	14,484,407	(1,595,163)	-	-	21,817,151	(9,969,781)	120,417,326
Office equipment	4,261,410	4,163,813	-	-	-	2,666,697	(862,938)	10,228,982
Other properties	175,844,494	4,546,175	-	189,895,447	(2,595,299)	46,020,706	(5,343,871)	408,367,652
General	4,080,785	4,039,402	-	-	-	(1,051,500)	-	7,068,687
Leases	2,575,738	368,454	-	97,619	-	-	(884,719)	2,157,092
Heritage	3,524,502	-	-	-	-	(103,744)	-	3,420,758
	6,780,090,625	**366,574,722**	**(1,610,163)**	**1,498,182,772**	**4,467,695,969**	**(119,502,798)**	**(409,944,802)**	**12,581,486,325**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

15. Property, plant and equipment (continued)

Proceeds on disposal of property, plant and equipment

Carrying value of property, plant and equipment	2,002,635	1,610,163	2,002,635	1,610,163
Net gain on disposal of assets	1,046,316	3,383,856	1,046,316	3,383,856
	3,048,951	**4,994,019**	**3,048,951**	**4,994,019**

Correction of error 2009: refer note 49

Adjustments amounting to R 345 311; R 19 302; R 2 666 697; R 3 480 954; R 187 340 839; R 298 055 and R 97 619 in respect of other properties, furniture and fittings, office equipment, plant and equipment, roads, electricity network, water network, sewer network and lease assets were made respectively.

Borrowing costs capitalised

Capital work in progress	-	1,073,020	-	1,073,020

Capitalisation rates used during the year (2009) were between 5% and 8.8% on specific borrowings for capital projects and 11% being the weighted average cost of funds borrowed generally by the municipality.

Revaluations

The effective date of the revaluations was 01 July 2009. Revaluations were performed by the municipality.

Land and buildings are re-valued every 4 years.

As land and buildings were identified and revalued during 2009, no historical cost is available and therefore no disclosure could be made of what the carrying value under the cost model would have amounted to.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. BCM has taken all reasonable steps to ensure the completeness of the fixed asset register by using the best international and local methodology and practice for asset verification, within the limits of the available organisational, human and financial capacity. However it should be noted that as per international precedents, owing to the nature and large scale of the assets as well as the technical and onerous challenges involved in the process, it is impossible to certify that the fixed asset register is 100% complete.

No assets were pledged as security.

16. Investment in associate

Name of company	Listed / Unlisted	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009	Fair value 2010	Fair value 2009
East London Industrial Development Zone (Prop)Ltd	Unlisted	26.00 %	26.00 %	-	3,626,888	-	3,626,888

The carrying amount of the associate is shown net of impairment losses.

Movements in carrying value

Opening balance	3,626,888	2,437,801	3,626,888	2,437,801
Share of surplus/(deficit)	(3,626,888)	1,189,087	(3,626,888)	1,189,087
	-	**3,626,888**	**-**	**3,626,888**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

16. Investment in associate (continued)

Investment in associate at 30 June 2010 amounted to R - (2009: R 3,626,888).

Fair value

There is no active market for the shares of the associate and therefore the fair value for these shares can not be measured reliabily. Management accepted face value as fair value.

Principal activities, country of incorporation and voting power

Legal name	Principal activity	Country of incorporation	Proportion of voting power
East London Industrial Development Zone (Prop)Ltd	Development of East London's industrial development zone.	SA	26%

Summary of groups interest in associate

Total equity	176,436,893	(13,949,568)
Total liabilities	(1,406,169,306)	(1,064,823,966)
Revenue	34,489,205	21,980,630
Surplus (deficit)	(190,141,924)	4,577,363

Associate with a different reporting date

The financial statements of East London Industrial Development Zone (Proprietary) Limited are prepared for the accounting period 01 April 2009 to 31 March 2010 and the interim result for the quarter ending 30 June 2010 are also prepared.

Note: 2009 - An adjustment was made to the disclosure 'summary of groups interest i.r.o. revenue to be R 21 980 630 and surplus to be R 4 577 363.

Unrecognised share of loss of associate

The economic entity has discontinued recognising its share of the deficits of East London Industrial Development Zone (Proprietary) Limited, as the investment is held at R nil and the economic entity has no obligation for any deficits of the associate. The total unrecognised deficits for the current period amount to R 49,500,481 (2009 : R nil). The accumulated unrecognised deficits to date amount to R 45,873,592 (2009: R nil).

17. Deferred tax

Deferred tax	36,345	42,119	-	-

Reconciliation of deferred tax asset (liability)

At beginning of the year	42,119	44,754	-	-
Deferred tax arising from temporary differences	(5,774)	(2,635)	-	-
	36,345	**42,119**	**-**	**-**

18. Borrowings

Held at amortised cost				
Annuity loans	526,711,125	560,149,418	526,711,125	560,149,418
Local registered stock issues	10,000,000	18,160,000	10,000,000	18,160,000
	536,711,125	**578,309,418**	**536,711,125**	**578,309,418**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

18. Borrowings (continued)

The entity did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the borrowings were re-negotiated.

Non-current borrowings				
At amortised cost	506,805,746	536,989,896	506,805,746	536,989,896
Current short term portion borrowings				
At amortised cost	29,905,379	41,319,522	29,905,379	41,319,522
	536,711,125	**578,309,418**	**536,711,125**	**578,309,418**

19. Consumer deposits

Electricity	14,334,781	12,905,502	14,334,781	12,905,502
Water	16,040,324	15,402,825	16,040,324	15,402,825
	30,375,105	**28,308,327**	**30,375,105**	**28,308,327**

Guarantees held in lieu of Electricity and Water Deposits amounted to R10 551 212 (2009: R8 320 256).

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

20. Finance lease obligation

Minimum lease payments due				
- within one year	988,222	898,826	988,222	898,826
- in second to fifth year inclusive	962,345	643,774	962,345	643,774
	1,950,567	1,542,600	1,950,567	1,542,600
Less: Future finance charges	(254,620)	(266,071)	(254,620)	(266,071)
Present value of minimum lease payments	**1,695,947**	**1,276,529**	**1,695,947**	**1,276,529**
Present value of minimum lease payments due				
- within one year	834,147	744,716	834,147	744,716
- in second to fifth year inclusive	861,800	531,813	861,800	531,813
	1,695,947	**1,276,529**	**1,695,947**	**1,276,529**
Non-current liabilities	861,800	531,813	861,800	531,813
Current liabilities	834,147	744,716	834,147	744,716
	1,695,947	**1,276,529**	**1,695,947**	**1,276,529**

IIt is the economic entity's policy to lease certain equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 8.5% (2009: 9.0%).

Interest rates are either fixed or variable at the contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as per stipulations in the lease agreements.

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

The entity did not default on any of the interest or capital repayments of the finance leases.

No terms and conditions of the finance leases were re-negotiated.

Correction of error 2009: refer note 49

An adjustment amounting to R 372 733 was made in respect of finance leases not raised in 2009.

After the initial period the leases shall automatically be renewed on a monthly basis unless cancelled by either party.

All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased asset.

There are no restrictions imposed on the lease arrangements.

21. Provisions

Reconciliation of provisions - Economic entity - 2010

	Opening Balance	Additions	Utilised during the year	Total non-current	Total
Performance bonus	2,947,958	-	(2,947,958)	-	-
Landfill sites	170,035,618	-	(26,444,062)	33,207,701	110,383,855
Provision 3	-	8,924,573	-	-	8,924,573
	172,983,576	**8,924,573**	**(29,392,020)**	**33,207,701**	**119,308,428**

Reconciliation of provisions - Economic entity - 2009

	Opening Balance	Additions	Utilised during the year	Total non-current	Total current
Performance bonus	1,615,636	1,391,822	(59,500)	-	2,947,958
Landfill sites	125,799,795	46,366,017	(2,130,194)	71,613,709	98,421,909
	127,415,431	**47,757,839**	**(2,189,694)**	**71,613,709**	**101,369,867**

Reconciliation of provisions - Economic entity - 2010

	Opening Balance	Utilised during the year	Total non-current	Total current
Performance bonus	2,947,958	(2,947,958)	-	-
Landfill sites	170,035,618	(26,444,062)	33,207,701	110,383,855
Provision salaries and skills	-	8,924,573	-	8,924,573
	172,983,576	**(20,467,447)**	**33,207,701**	**119,308,428**

Reconciliation of provisions - Economic entity - 2009

	Opening Balance	Additions	Utilised during the year	Total non-current	Total current
Performance bonus	1,615,636	1,391,822	(59,500)	-	2,947,958
Landfill sites	125,799,795	46,366,017	(2,130,194)	71,613,709	98,421,909
	127,415,431	**47,757,839**	**(2,189,694)**	**71,613,709**	**101,369,867**

Non-current liabilities	33,207,701	71,613,709	33,207,701	71,613,709
Current liabilities	119,308,428	101,369,867	119,308,428	101,369,867
	152,516,129	**172,983,576**	**152,516,129**	**172,983,576**

With regards to the Provision for Landfill sites: It is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the Rehabilitation of landfill sites obligation was calculated by inflating the non current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used:

- Interest rate used is BCM's borrowing rate at 8.5% (9.35% 2009).
- The valuation for the landfill site provision was done by Munitech (Pty) Ltd, a company which specialises in infrastructure maintenance and operations and municipal services, which includes solid waste collection and disposal. The company registration number is 1988/761/07 and the SAACE memberhip number is 439.

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees

		Economic entity		Controlling entity	
Figures in Rand		2010	2009	2010	2009

21. Provisions (continued)

at the reporting date.

Performance bonuses are measured at face value as it is expected that these would normally be paid shortly after the financial year end once performance evaluations have been completed.

2.5% Salga increase in respect of salaries provided R2 603 823.

OSD allowance to qualifing medical employees R6 320 750.

22. Trade and other payables

Trade payables	49	198,517,625	166,430,744	198,517,621	166,430,744
Payments received in advanced	49	48,144,282	38,300,789	48,144,282	38,300,789
Retention monies	49	18,378,550	26,784,523	18,360,254	26,709,375
Accrued leave pay		42,409,705	37,287,224	42,291,760	37,202,156
Deposits received		4,365,718	3,259,977	4,263,218	3,147,477
Other creditors		33,082,525	28,949,143	33,082,525	28,892,718
Interest cost on payables		(241,801)	(2,515,473)	(241,801)	(2,515,473)
Other accrued expenses		13,224	407,810	-	-
		344,669,828	**298,904,737**	**344,417,859**	**298,167,786**

The entity did not default on any of the accounts payable in respect of capital or interest portions.
No terms attached to the accounts payable were re-negotiated.

Bank guarantees to the amount of R3 055 740 (2009: R3 266 740) were held in lieu of market buyers.

Correction of error 2009: refer note 49

Adjustments amounting to R 998 088, R 5 510 417, R 6 762 976 were made to the balances on trade payables, retention monies and payments in advance respectively.

23. Unspent conditional grants and receipts

Unspent conditional grants and receipts are detailed on Annexure F.

Unspent conditional grants and receipts comprises of:

National grants	173,674,689	180,618,220	173,129,530	180,073,061
Provincial grants	78,164,768	83,649,406	78,164,768	83,649,406
Other conditional grants	16,808,143	17,899,461	16,808,143	17,899,461
	268,647,600	**282,167,087**	**268,102,441**	**281,621,928**

These amounts are invested in a ring-fenced investment until utilised.

Correction of error 2009: refer note 49

Corrections amounting to R 13 677 158 and R 291 288 were made in respect of national grants and other grants respectively.

All conditions for the funding were complied with and no funds were withheld.

24. Retirement benefit obligation

Carrying value

Balance at beginning of year	233,792,235	213,729,777	233,792,235	213,729,777
Interest cost	21,622,200	22,632,724	21,622,200	22,632,724
Current service cost	9,637,626	8,400,986	9,637,626	8,400,986
Actual Employer Benefit Payments	(11,611,287)	(10,971,252)	(11,611,287)	(10,971,252)
Actuarial losses recognised in the year	7,891,109	-	7,891,109	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

24. Retirement benefit obligation (continued)

	261,331,883	**233,792,235**	**261,331,883**	**233,792,235**

BCM employees contribute to 6 accredited medical aid schemes, namely LA Health, Bonitas, Key Health, SAMWU Med, FedHealth and Hosmed. Pensioners continue on the option they belong to on the day of their retirement.

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2010 by ARCH Actuarial Consulting using the Projected Unit Credit Method.

BCM opted not to recognise the actuarial loss applying the "Corridor" method.

The best estimates for benefit payments in the next annual period is expected to be R12 521 707 (2010: R11 611 287).

Correction of error 2009: refer note 47.

Adjustments amounting to R7 891 109 were made in respect of the retirement obligation.

The principal actuarial assumptions used were as follows:				
Discount rate	9.16 %	10.82 %	9.16 %	10.82 %
Medical aid inflation rate	7.84 %	9.67 %	7.84 %	9.67 %
Net effective discount rate	1.22 %	1.05 %	1.22 %	1.05 %
Post -Retirement subsidy	60.00 %	60.00 %	60.00 %	60.00 %
Retirement age				
Males	63	63	63	63
Females	63	63	63	63
Mortality during employment - SA 85-90 Ultimate Table adjusted for female lives				
Mortality post retirement - PA901 Ultimate table rated down one year				
Number of eligible members	2,378.00	2,148.00	2,378.00	2,148.00
Number of pensioners	529.00	512.00	529.00	512.00
1% change in the assumed medical inflation:				
Projected liability increase/(decrease) - 2010	43,165,000	(35,058,000)	43,165,000	(35,058,000)
Projected liability increase/(decrease) - 2009	37,918,000	(30,866,000)	37,918,000	(30,866,000)
Projected liability increase/(decrease) - 2008	32,401,000	(26,446,000)	32,401,000	(26,446,000)

25. Revaluation reserve

Opening balance	17,194,100	(4,773,016,764)	17,194,100	(4,773,016,764)
Additions	-	4,796,590,202	-	4,796,590,202
Disposals	-	(15,000)	-	(15,000)
Depreciation offset	(573,137)	(6,364,338)	(573,137)	(6,364,338)
	16,620,963	**17,194,100**	**16,620,963**	**17,194,100**

26. Contingent Liabilities

Guarantees by the Council in respect of building society and commercial bank housing loans for officials amount to R502 776 (2009: R 502 776).

Guarantees by the Council in respect of the Department of Labour for COID amount to R4 251 742 (2009: R 4 251 742).

Claims of approximately R3.3 million have been instituted against Council officials due to alleged assault, unlawful arrest and various other charges. Legal advice has been sought for each case and Council will defend the claims where so advised.

Cancellation of a contract by Mtha Building Contractor/Joe Angaviwe JV in the amount of R14 million. Council is defending this matter. At present the matter is dormant as we have not heard from the claimant.

The cancellation of a contract to lay a bulk sewer pipe due to non-performance by RJW Ikusasan JV resulted in Council being sued in the

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

26. Contingent Liabilities (continued)

amount of R9.7 million. Council is defending the claim.

The Buffalo City Development Agency has been cited as a first respondent in a court case brought by an unsuccessful bidder over the decision to award the tender to the value of R34,5 million for the sale and development of Marina Glen "A" site, which was awarded in June 2007. The legal representative has stated that they are not in a position to speculate the outcome of the case but, nevertheless, is of the opinion that the agency has a reasonable prospect of success. The legal costs for this exercise are estimated at R500 000.

The Buffalo City Development Agency has a long outstanding liability resulting from unpaid output VAT on grants received from BCM (Buffalo City Municipality) and IDC (Industrial Development Corporation). The estimated possible liability for interest and penalties in favour of the South African Revenue Services are as follows:

IDC Grant	**Penalty**	**Interest**		
Grant : 2008/09 : R 1 969 670 - 10% penalty	22,457	18,858	-	-
Grant : 2007/08 : R 1 969 670 - 10% penalty	25,062	60,312	-	-
	47,519	**79,170**	**-**	**-**

BCM Grant	**Penalty**	**Interest**		
Grant: 2009/10: R3 212 957 - 10% penalty	44,981	15,634	-	-
Grant : 2008/09 : R 500 000 - 10% penalty	7,000	7,700	-	-
Grant : 2007/08 : R 875 169 - 10% penalty	12,252	26,138	-	-
Grant : 2006/07 : R 877 193 - 10% penalty	12,281	38,848	-	-
	76,514	**88,320**	**-**	**-**

27. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Economic entity - 2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	536,711,125	-	-	536,711,125
Trade and other payables	231,600,150	-	-	231,600,150
	768,311,275	**-**	**-**	**768,311,275**

Economic entity - 2009

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	578,309,418	-	-	578,309,418
Trade and other payables	195,379,888	-	-	195,379,888
	773,689,306	**-**	**-**	**773,689,306**

Economic entity - 2010

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	536,711,125	-	-	536,711,125
Trade and other payables	231,600,150	-	-	231,600,150

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

27. Financial liabilities by category (continued)

	768,311,275	**-**	**-**	**768,311,275**

Economic entity - 2009

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Other financial liabilities	578,309,418	-	-	578,309,418
Trade and other payables	195,323,463	-	-	195,323,463
	773,632,881	**-**	**-**	**773,632,881**

28. Revenue

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Property rates	427,047,214	363,219,933	427,047,214	363,219,933
Property rates – Penalties imposed and collection charges	-	273,177	-	273,177
Service charges	1,285,841,065	1,071,196,058	1,285,863,698	1,071,215,790
Rental of facilities & equipment	12,910,100	12,750,387	12,910,100	12,750,387
Government grants & subsidies	801,834,925	576,742,224	801,834,925	576,742,224
Public contributions, Donated and contributed operating projects	2,777,749	10,596,479	2,777,749	10,596,479
Public contributions, Donated and contributed property, plant and equipment	9,101,628	18,612,302	9,101,628	18,612,302
Fines	8,256,637	7,057,718	8,256,637	7,057,718
Licences and permits	14,116,593	12,250,278	14,116,593	12,250,278
	2,561,885,911	**2,072,698,556**	**2,561,908,544**	**2,072,718,288**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,285,841,065	1,071,196,058	1,285,863,698	1,071,215,790
Rental of facilities & equipment	12,910,100	12,750,387	12,910,100	12,750,387
Licences and permits	14,116,593	12,250,278	14,116,593	12,250,278
	1,312,867,758	**1,096,196,723**	**1,312,890,391**	**1,096,216,455**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	427,047,214	363,219,933	427,047,214	363,219,933
Property rates – Penalties imposed and collection charges	-	273,177	-	273,177
Public contributions and donations	2,777,749	10,596,479	2,777,749	10,596,479
Fines	8,256,637	7,057,718	8,256,637	7,057,718
Government grants & subsidies	801,834,925	576,742,224	801,834,925	576,742,224
Public grants PPE	9,101,628	18,612,302	9,101,628	18,612,302
	1,249,018,153	**976,501,833**	**1,249,018,153**	**976,501,833**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

29. Property rates

Rates received

Residential	217,864,240	190,185,828	217,864,240	190,185,828
Commercial	195,737,092	138,890,179	195,737,092	138,890,179
State	-	31,220,338	-	31,220,338
Municipal	-	3,013,960	-	3,013,960
Educational	5,594,575	-	5,594,575	-
Agricultural	2,440,219	-	2,440,219	-
Public service infrastucture	366,412	-	366,412	-
Vacant land	21,348,204	-	21,348,204	-
Less: Income forgone	(16,303,528)	(90,372)	(16,303,528)	(90,372)
	427,047,214	363,219,933	427,047,214	363,219,933
Property rates - penalties imposed and collection charges	-	273,177	-	273,177
	427,047,214	**363,493,110**	**427,047,214**	**363,493,110**

Valuations

Residential	40,739,270,300	6,527,952,440	40,739,270,300	6,527,952,440
Commercial	14,751,257,340	4,063,029,130	14,751,257,340	4,063,029,130
State	-	1,212,190,890	-	1,212,190,890
Municipal	-	264,006,880	-	264,006,880
Small holdings and farms	3,066,391,160	-	3,066,391,160	-
Educational	1,501,727,000	-	1,501,727,000	-
Agricultural	1,883,928,590	-	1,883,928,590	-
Public service infrastucture	276,449,400	-	276,449,400	-
Vacant land	1,515,566,666	-	1,515,566,666	-
	63,734,590,456	**12,067,179,340**	**63,734,590,456**	**12,067,179,340**

Valuations on land and buildings are performed every 4 years in terms of the Municipal Property Rates Act, 6 of 2004. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September. Ratepayers are also given an option of paying their rates monthly on application. Interest at a standard rate as amended from time to time, is paid on any rate which remains unpaid after 30 September, except in cases where the owner has applied to pay by installment.

30. Service charges

Discounted interest on service charges	(17,313,252)	19,208,508	(17,313,252)	19,208,508
Sale of electricity	802,461,986	602,948,313	802,484,619	602,968,045
Sale of water	201,621,200	181,116,508	201,621,200	181,116,508
Sewerage and sanitation charges	156,148,752	138,628,312	156,148,752	138,628,312
Refuse removal	139,256,310	124,506,170	139,256,310	124,506,170
Other service charges	3,666,069	4,788,247	3,666,069	4,788,247
	1,285,841,065	**1,071,196,058**	**1,285,863,698**	**1,071,215,790**

Refer note 61 for adjustments to the 2009 disclosures.

Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2010	2009	2010	2009

31. Government grants and subsidies

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Government grants operating projects	35,107,371	23,843,189	35,107,371	23,843,189
Government grants - housing projects	78,200,844	54,685,165	78,200,844	54,685,165
Grants and subsidies - PPE	230,817,827	143,657,876	230,817,827	143,657,876
Government grants and subsidies - unconditional	457,708,883	354,555,994	457,708,883	354,555,994
	801,834,925	**576,742,224**	**801,834,925**	**576,742,224**

Refer note 61 for adjustments to the 2009 disclosures.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administartive services to indigent community members.

32. Other revenue

	Note	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Other income	61	119,803,960	100,239,449	119,803,960	100,239,449
Government grants		-	2,345,653	-	-
		119,803,960	**102,585,102**	**119,803,960**	**100,239,449**

Refer to note 59 for adjustments to the 2009 disclosures.

33. Operating expenses

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Total operating expenses	2,849,140,311	2,478,417,803	2,849,140,311	2,292,527,354
Less: Finance costs	(108,121,292)	(112,131,447)	(108,121,128)	(112,128,079)
	2,741,019,019	**2,366,286,356**	**2,741,019,183**	**2,180,399,275**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

34. General expenses

Advertising	767,681	2,342,683	767,681	2,304,312
Assessment rates & municipal charges	1,578,796	1,692,358	1,578,796	1,692,358
Auditors remuneration	3,843,095	3,077,950	3,783,357	3,006,765
Bank charges	4,805,769	3,643,689	4,804,532	3,641,734
BCMET	313,072	342,876	313,072	342,876
Chemicals	9,729,148	8,381,905	9,729,148	8,381,905
Cleaning	4,100,698	3,336,383	4,068,367	3,306,887
Commission paid	7,423,469	6,961,296	7,423,469	6,961,296
Computer expenses	1,529,173	3,639,129	1,526,436	3,636,085
Community development and training	86,376	125,091	86,376	125,091
Conferences and seminars	1,467,125	1,811,041	1,467,125	1,790,120
Consulting and professional fees	29,725,264	44,490,920	29,537,496	43,187,303
Consumables	5,262,480	4,856,025	5,255,510	4,844,727
Disconnections	7,155,004	6,496,249	7,155,004	6,496,249
DWAF	9,914,207	6,390,717	9,914,207	6,390,717
Electricity	33,555,985	29,192,734	33,555,985	29,192,734
Entertainment	1,879,327	1,297,059	1,879,327	1,291,617
Essential user cost	10,161,838	9,936,756	10,161,838	9,936,756
Fuel and oil	24,652,027	26,438,409	24,652,027	26,438,409
Horticulture	1,227	1,376	1,227	1,376
Insurance	13,224,908	8,325,893	13,209,586	8,309,970
IT expenses	2,710,487	2,160,610	2,710,487	2,160,610
Lease rentals on operating lease	27,866,654	19,880,263	27,686,929	19,645,784
Levies	6,456,179	5,523,016	6,440,542	5,504,004
Marketing	137,182	132,400	137,182	132,400
Magazines, books and periodicals	2,298,105	1,950,626	2,298,105	1,950,626
Other expenses	121,375,889	87,761,596	121,375,889	87,761,596
Grant expenditure	91,311,231	82,784,426	91,311,231	82,784,426
Poor relief	106,172,679	93,612,932	106,172,679	93,612,932
Postage and courier	4,912,377	4,343,397	4,911,170	4,332,737
Printing and stationery	7,282,469	5,693,225	7,279,116	5,681,164
Promotions	441,650	616,108	441,650	616,108
Royalties and license fees	6,355,582	5,986,133	6,355,582	5,986,133
Refuse	18,671,635	16,459,778	18,671,635	16,459,778
SA Cities network contribution	241,577	221,380	241,577	221,380
Security (Guarding of municipal property)	15,700,463	13,106,138	15,695,647	13,102,421
Software expenses	829,470	507,410	829,370	505,155
Subscriptions and membership fees	3,973,317	2,644,064	3,972,247	2,642,290
Telephone and fax	16,697,242	14,750,375	16,685,114	14,733,287
Title deed search fees	9,702	16,255	9,702	16,255
Training	1,529,096	2,503,707	1,529,096	2,481,429
Travel - local	3,626,066	3,545,530	3,626,066	3,524,710
Travel - overseas	1,109,881	1,767,831	1,109,881	1,767,831
Assets expensed	1,765,637	745,221	1,765,637	745,221
Water	3,839,275	3,981,601	3,839,275	3,981,601
Uniforms	4,341,981	3,003,805	4,341,981	3,003,805
Discounted expenditure	(24,495,963)	(27,260,246)	(24,495,963)	(27,260,246)
Motor vehicle expenses	2,784,322	2,490,641	2,784,322	2,490,641
	599,120,854	**521,708,761**	**598,596,715**	**519,863,365**

Refer to note 61 for adjustments to the 2009 disclosures.

Correction of error: refer note 49

Adjustment to the amount of R 4 590 617 was effected in respect of insurance.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

35. Employee related costs

Basic emoluments	503,986,267	422,634,616	502,368,268	420,642,807
13th Cheques	34,948,361	31,865,299	34,948,361	31,865,299
Car allowances	13,063,057	11,711,025	13,063,057	11,711,025
Group life	4,745,043	4,165,342	4,745,043	4,165,342
Housing benefits and allowances	4,333,519	5,797,708	4,333,519	5,797,708
Leave pay contribution	16,960,011	12,951,233	16,960,011	12,951,233
Long-service awards	9,476,666	8,413,079	9,476,666	8,413,079
Medical aid	33,670,323	27,745,700	33,670,323	27,745,700
Other allowances	16,735,773	13,739,864	16,735,773	13,739,864
Overtime payments	50,868,037	45,690,006	50,868,037	45,690,006
Pension fund contributions	90,918,249	70,312,164	90,918,249	70,312,164
Short term benefit contributions	291,386	299,155	291,386	299,155
Transitional allowances	(27,636)	11,689,574	(27,636)	11,689,574
UIF	4,896,526	4,496,707	4,896,526	4,496,707
	784,865,582	**671,511,472**	**783,247,583**	**669,519,663**

Remuneration of municipal manager

Annual Remuneration	802,856	495,590	802,856	495,590
Performance Bonuses	-	59,500	-	59,500
Other	535,237	389,893	535,237	389,893
	1,338,093	**944,983**	**1,338,093**	**944,983**

Refer note 61 for adjustments to the 2009 disclosures.

Remuneration of chief finance officer

Annual Remuneration	642,290	594,713	642,290	594,713
Other	428,194	396,475	428,194	396,475
	1,070,484	**991,188**	**1,070,484**	**991,188**

Remuneration of other directors

Annual Remuneration	4,887,906	3,568,406	4,887,906	3,568,406
Performance Bonuses	-	82,566	-	82,566
Other	3,264,724	2,307,165	3,264,724	2,307,165
	8,152,630	**5,958,137**	**8,152,630**	**5,958,137**

Remuneration of the Chief Executive Officer (BCDA)

Annual Remuneration	346,126	517,423	-	-
Car Allowance	66,500	114,000	-	-
13th Cheque	58,947	52,619	-	-
Contributions to UIF	624	1,497	-	-
Cellphone allowance	6,000	18,000	-	-
Reimbursive travel	-	5,922	-	-
Leave pay	46,068	-	-	-
	524,265	**709,461**	**-**	**-**

Remuneration of Senior Management (BCDA)

Annual Remuneration	731,071	912,898	-	-
Car Allowance	60,000	60,000	-	-

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
35. Employee related costs (continued)				
13th Cheque	65,923	86,221	-	-
Contributions to UIF	2,994	3,992	-	-
Cellphone allowance	19,200	25,600	-	-
Reimbursive travel	-	210	-	-
	879,188	**1,088,921**	**-**	**-**

36. Remuneration of councillors

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Executive Mayor	391,759	309,259	391,759	309,259
Mayoral Committee Members	2,745,810	2,411,970	2,745,810	2,411,970
Speaker	313,406	290,305	313,406	290,305
Councillors	8,535,861	8,988,142	8,535,861	8,988,142
Councillors’ pension contribution	1,477,551	1,429,990	1,477,551	1,429,990
Coucillors housing subsidy	726,117	756,433	726,117	756,433
Councillors medical aid	804,910	752,439	804,910	752,439
Other	4,675,437	4,420,522	4,675,437	4,420,522
UIF	20,200	-	20,200	-
BCDA Directors	-	32,200	-	-
	19,691,051	**19,391,260**	**19,691,051**	**19,359,060**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost.

The Excectutive Mayor have the use of two Council owned vehicles for official duties.

The Executive Mayor has one full-time and four temporary bodyguards and an official driver at the cost of Council.

37. Debt impairment

	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Contributions to debt impairment allowance account	19,949,990	131,526,600	19,949,990	131,526,600
Debts impaired	4,367,331	6,582,455	4,367,331	6,582,455
	24,317,321	**138,109,055**	**24,317,321**	**138,109,055**

38. Investment revenue

	Note	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Dividend revenue					
Listed financial assets - Local	61	85,643	165,458	85,643	165,458
Interest revenue					
Bank		7,329,608	13,839,832	7,329,608	13,839,832
Unlisted financial assets		34,775,801	53,453,681	34,775,801	53,453,681
Interest charged on consumer debtors		27,414,781	35,005,957	27,414,781	35,005,957
Interest on sporting body loans		90,256	87,072	90,256	87,072
Interest IAS 39		17,313,252	(19,208,508)	17,313,252	(19,208,508)
Interest received - other		56,903	188,642	-	-
		86,980,601	**83,366,676**	**86,923,698**	**83,178,034**
		87,066,244	**83,532,134**	**87,009,341**	**83,343,492**

Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2010	2009	2010	2009

39. Fair value adjustments

Investment in associates	(3,626,888)	-	(3,626,888)	-
Other financial assets				
• Other financial assets (Designated as at FV through P&L)	539,386	61,762	539,386	61,762
	(3,087,502)	**61,762**	**(3,087,502)**	**61,762**

40. Depreciation and amortisation

Property, plant and equipment	514,628,470	410,001,833	514,587,983	409,944,800
Intangible assets	1,935,012	2,305,951	1,935,012	2,308,951
	516,563,482	**412,307,784**	**516,522,995**	**412,253,751**

41. Finance costs

Non-current borrowings	62,002,965	62,235,109	62,002,965	62,235,109
Discounted interest on expenditure	24,495,963	27,260,246	24,495,963	27,260,246
Other interest paid *	21,622,364	22,636,092	21,622,200	22,632,724
	108,121,292	**112,131,447**	**108,121,128**	**112,128,079**

* Refer to note 24 (Retirement benefits)

42. Auditors' remuneration

Expenses	3,843,095	3,077,950	3,783,357	3,006,765

43. Contracted services

Other Contractors	8,344,994	4,493,097	8,344,994	4,493,097

44. Grants and subsidies paid

Other subsidies					
Grants - In - Aid	61	19,698,112	15,250,436	22,900,085	16,250,436

Refer to note 59 for the 2009 disclosure adjustments.

45. Bulk purchases

Electricity	487,510,581	363,693,695	487,510,581	363,693,695
Water	106,213,606	103,053,306	106,213,606	103,053,306
	593,724,187	**466,747,001**	**593,724,187**	**466,747,001**

46. Cash generated from operations

Deficit	(90,050,568)	(212,454,469)	(91,097,043)	(212,067,178)
Adjustments for:				
Depreciation and amortisation	516,563,482	412,307,529	516,522,995	412,253,753
Loss / (Gain) on sale of assets and liabilities	(1,046,316)	(3,383,856)	(1,046,316)	(3,383,856)
Income from equity accounted investments	-	(1,189,087)	-	(1,189,087)
Fair value adjustments	-	(61,762)	-	(61,762)
Impairment deficit	-	255	-	-
Movements in operating lease assets and accruals	(2,904,763)	(2,282,188)	(2,904,763)	(2,882,188)

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009
46. Cash generated from operations (continued)				
Post retirement medical aid	27,539,648	20,062,188	27,539,648	20,062,703
Movements in provisions	(20,467,447)	45,568,145	(20,467,447)	45,568,145
Contra landfill site contribution	-	(46,366,017)	-	(46,366,017)
Prior year adjustments on operating revenue	-	14,770,164	-	14,770,164
Adjustment to associate	3,626,891	-	3,626,891	-
Changes in working capital:				
Inventories	(27,206,485)	(30,032,265)	(27,206,485)	(30,032,265)
Trade and other receivables from non-exchange transactions	7,375,645	(4,229,343)	7,822,563	(4,203,544)
Consumer debtors	(123,387,716)	39,359,047	(123,387,716)	39,359,047
Long term receivables	17,806	-	17,806	-
Trade and other payables	45,508,744	37,753,591	46,250,077	38,014,355
VAT	(13,802,667)	(8,112,950)	(13,527,016)	(8,112,950)
Unspent conditional grants and receipts	(13,519,487)	140,166,990	(13,519,487)	140,166,990
Consumer deposits	2,066,778	3,280,294	2,066,778	3,280,294
	310,313,545	**405,156,266**	**310,690,485**	**405,176,604**

Note: Adjustments to the 2009 disclosures - Insurance transactions, Coid transactions and Consumer deposits were previously disclosed on the Cash Flow Statement.Consumer debtors disclosed net of debt impairment (previously movements in debt impairment disclosed separately).

47. Commitments

Authorised capital expenditure

Approved and contracted for - Property Plant and Equipment				
• Community	8,396,651	13,746,067	8,396,651	13,746,067
• Infrastructure	294,549,352	151,139,399	294,549,352	151,139,399
• Other	33,362,542	18,014,544	33,362,542	18,014,544
	336,308,545	**182,900,010**	**336,308,545**	**182,900,010**

This committed expenditure relates to Infrastructure, Community and Other Property, Plant and Equipment.

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	5,341,483	4,689,749	5,092,339	4,689,749
- in second to fifth year inclusive	1,045,555	5,896,442	5,896,442	5,896,442
	6,387,038	**10,586,191**	**10,988,781**	**10,586,191**

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

48. Related parties

Buffalo City Development Agency (BCDA) (a Section 21 company registration no 2004/016829/08):
The BCDA was incorporated on 18 June 2004 as a Municipal entity of BCM. BCDA is 100% controlled by BCM. BCM Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2005.

One of the envisaged corner-stones of the Agency's business model is the asset base of unutilised or underutilised public land and infrastructure that falls within the Agency's demarcated area, namely the extended waterfront and CBD area of East London.

In Buffalo City, this asset-base constitutes a resource of significant value that could be used as leverage to unlock beneficial synergies with other significant prospective investors, private and public.

Buffalo City Municipality has issued grants of R3 212 957 (VAT exclusive) to the development agency during the current financial year (2009: R 1 000 000 - VAT exclusive).
BCDA has paid consumer accounts of R22 633 during the current financial year (2009: R19 732).

There is an outstanding amount of R449 814 for the payment of output VAT by BCM at 30 June 2009.

Key management personnel information:

Annual Remuneration of the Chief Executive Officer (BCDA), 1 officer, was R524 265 (2009: R707 964)

Annual Remuneration of Senior Management (BCDA), 2 officers, was R879 189 (2009: R1 057 053)

No remuneration was paid to family of key personel.

There are no share based payments.

There are no post-employment benefits for key personel.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

49. Correction of errors

During the year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods:

The correction of the error(s) results in adjustments to the accumulated surplus as follows:

Corrections included:				
Reversing creditors in correctly accrued - trade payables overstated	-	998,089	-	998,089
Adjusting rental income iro operating leases incorrectly calculated in prior years	-	828,463	-	828,463
Operating grants included under unspent conditional grants, was understated due to more information relating to operating grants/subsidies coming to attention during 2010	-	13,968,447	-	13,968,447
Capitalizing leased assets which were not raised in 2009	-	372,733	-	372,733
Expenditure included under wip/under construction was overstated due to more information relating to expenditure i.r.o. weighbridge design coming to attention during 2010	-	(345,311)	-	(345,311)
Reversing retentions due to contractors as contracts were cancelled - retention monies overstated	-	5,510,417	-	5,510,417
Over expenditure grants operating projects	-	(906,195)	-	(906,195)
Correction of movable assets taken on in prior years	-	6,166,953	-	6,166,953
Correction to lease assets not recognised in prior years	-	97,619	-	97,619
Correction of accumulated depreciation i.r.o.roads and electricity network not recognised in prior years	-	(298,055)	-	(298,055)
Adjustment to operating lease asset	-	7,467,201	-	7,467,201
Adjustment of revaluation reserve from initial measurement to remeasurement	-	4,955,054,926	-	4,955,054,926
	-	**4,988,915,287**	**-**	**4,988,915,287**

Financial Period 2009					
Corrections summarised:		-	-		
Trade and other payables	22	-	6,508,506	-	6,508,506
Unspent conditional grants	23	-	13,968,447	-	13,968,447
Trade and other receivables from non-exchange transactions	6	-	(906,195)	-	(906,195)
PPE	15	-	5,621,206	-	5,621,206
Operating lease asset	8	-	8,295,664	-	8,295,664
Finance lease obligation	20	-	372,733	-	372,733
Revaluation reserve		-	4,955,054,928	-	4,955,054,926
Net effect on accumulated surplus		-	4,988,915,289	-	**4,988,915,287**

The correction of the error(s) results in adjustments to the statement of financial performance as follows:

Statement of financial performance 2009

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

49. Correction of errors (continued)

Public contributions-PPE Accrued income included under other debtors (BCMET) was overstaded due to more information relating to DBSA funding coming to attention during 2010 - accrued income overstated.	-	(4,546,053)	-	(4,546,053)
Service charges - Apportioning prepaid eletricity purchased in advance for 2009.	-	(6,762,976)	-	(6,762,976)
Interest received- investments: reversing interest earned on unspent conditional grants incorrectly recognised	-	(36,752,771)	-	(36,752,771)
General expenses insurance: adjusting transaction Coid and insurance i.r.o 2009	-	8,225,024	-	8,225,024
Overspending of grant funds adjusted 08/09	-	(3,461,136)	-	(3,461,136)
Correction of accumulated depreciation i.r.o. roads, electricity network, water network, and sewer network not recognised in prior years	-	(187,340,839)	-	(187,340,839)
Adjustment of interest on investments incorrectly capitalised against unspent grants.	-	18,527,281	-	18,527,281
Overspending of grant funds after adjustment of interest capitalised	-	(648,705)	-	(648,705)
Adjustment of depreciation landfill site KWT	-	(3,875,417)	-	(3,875,417)
Time value for money on payables.	-	2,515,474	-	2,515,474
	-	**(214,120,118)**	**-**	**(214,120,118)**

Total correction of error

Statement of financial performance	-	(214,120,118)	-	(214,120,118)
Accumulated surplus	-	4,988,915,287	-	4,988,915,287
	-	**4,774,795,169**	**-**	**4,774,795,169**

50. Risk management

Capital risk management

The economic entity's objectives when managing capital are to safeguard the economic entity's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents and equity.

There have been no changes to what the economic entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The economic entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the economic entity's financial performance. Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

50. Risk management (continued)

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the economic entity to fair value interest rate risk.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables	9.00 %	458,602,463	-	-	-	-
Trade and other receivables - normal credit terms	- %	(231,600,150)	-	-	-	-
Cash in current banking institutions	5.00 %	57,302,936	-	-	-	-
Call investment deposits	6.56 %	502,168,153	-	-	-	-
Trade and other payables	8.00 %	(231,600,150)	-	-	-	-
Long term borrowings	10.69 %	(39,905,379)	(32,091,653)	(67,424,305)	(106,121,729)	(291,168,059)

These amounts best represent maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements.

Sensitivity Analysis of Market Risk

Effect of a 1% change in the prime rate	%	Value 30/06/2010	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)
Amortisation of financial instruments					
Trade and other receivables	9.00 %	458,602,463	420,736,205	424,631,910	416,911,330
Trade and other payables	8.00 %	(231,600,150)	(214,444,583)	(216,448,738)	(212,477,202)
Cash and cash equivalents					
Cash in current banking institutions	5.00 %	57,302,936	54,574,225	55,098,977	54,059,374
Call investment deposits	6.56 %	502,168,153	471,253,897	475,718,220	466,872,586

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the prime rate could occur. The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the prime rate.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base.

51. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the economic entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the economic entity.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

52. Events after the reporting date

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.

53. Fruitless and wasteful expenditure

Payment of commitment fee to DBSA	199,703	-	199,703	-
Payment of interest to SARS	164	3,368	-	-
	199,867	**3,368**	**199,703**	**-**

Incident - During November 2008 DBSA issued an invoice amouting to R 199 703 with regard to commitment fees due as a result of the slow rate of capital expenditure. BCM'S application to waive the commitment fee has been unsuccesful.
A report was submitted to the Mayoral Committee.

54. Irregular expenditure

Add: Irregular Expenditure - current year	46,622	-	-	-
	46,622	**-**	**-**	**-**

Analysis of expenditure awaiting condonation per age classification

Prior years	-	23,390,731	-	23,390,731

Details of Irregular Expenditure – Current year

Procurement process not followed	4,790
Contracts expired	41,832
	46,622

Details of Irregular Expenditure not recoverable (not condoned)

Payment made from investment vote whereby supporting documentation - misplaced/missing	880,654
Tender award - Irregularities - Neo Solutions	2,278,189
Tender award - Irregularities - Waste Rite	20,231,888
	23,390,731

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009

55. In-kind donations and assistance

BCM received the services of Dr. J Rausch - German Development Services	159,642	476,256	159,642	476,256
FELA donated amount to BCM	-	54,241	-	54,241
FELZOO donated amount to BCM	-	71,594	-	71,594
	159,642	**602,091**	**159,642**	**602,091**

56. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to SALGA

Opening balance	-	-	-	-
Council subscriptions	3,972,247	2,642,289	3,972,247	2,642,289
Amount paid - current year	(3,972,247)	(2,642,289)	(3,972,247)	(2,642,289)
Balance unpaid	**-**	**-**	**-**	**-**

Contributions to SA Cities Network

Opening balance	-	-	-	-
Council subscriptions	241,577	219,615	241,577	219,615
Amount paid - current year	(241,577)	(219,615)	(241,577)	(219,615)
Balance unpaid	**-**	**-**	**-**	**-**

Audit fees

Opening balance	-	-	-	-
Current year fee	3,783,357	3,006,765	3,783,357	3,006,765
Amount paid - current year	(3,783,357)	(3,006,765)	(3,783,357)	(3,006,765)
Balance unpaid	**-**	**-**	**-**	**-**

PAYE and UIF

Opening balance	-	-	-	-
Current year payroll deductions	88,990,900	76,513,646	88,990,900	76,513,646
Amount paid - current year	(88,990,900)	(76,513,646)	(88,990,900)	(76,513,646)
Balance unpaid	**-**	**-**	**-**	**-**

Pension and Medical Aid Deductions

Opening balance	-	-	-	-
Current year payroll deductions and Council contributions	185,123,351	155,612,404	185,123,351	155,612,404
Amount paid - current year	(185,123,351)	(155,612,404)	(185,123,351)	(155,612,404)
Balance unpaid	**-**	**-**	**-**	**-**

VAT

VAT output payables and VAT input receivables are shown in note 7 as net VAT receivable.

All VAT returns have been submitted by the due date throughout the year. VAT is only declared to SARS on receipt of payment from consumers.

Councillors' arrear consumer accounts

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

56. Additional disclosure in terms of the Municipal Finance Management Act (continued)

Arrear Councillors accounts totalling R 870 were outstanding for more than 90 days at 30 June 2010 for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor.

Material losses

Unaccounted electricity losses for the 2009/10 financial year amounted to 8.59% i.e. R 2 833 270. (2008/09 : 8.56% i.e. R 1 539 480)

Unaccounted water losses for the 2009/10 financial year amounted to 39.91% i.e. R 68 776 198. (2008/09 : 44.86% i.e. R 76 243 345)

Irregularities were identified whereby fuel pump readings differed from fuel issue forms which resulted in irregular expenditure in respect of fuel usage. The irregular expenditure identified was in the amount of R 27 474 which when extrapolated over the total fuel expense of R 24 652 027 amounts to R 6 412 493. A electronic fuel master system is being considered to eliminate these problems.

57. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	-	65,719,967	-	65,719,967
Finance leases taken up	1,637,433	639,302	1,637,433	639,302
Used to finance property, plant and equipment & finance leases i.r.o 2009/10	(1,637,433)	(66,359,269)	(1,637,433)	(66,359,269)
Cash set aside for the repayment of long-term liabilities	**-**	**2,385,344**	**-**	**2,385,344**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

58. Retirement benefit information

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund
- Cape Joint Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- SAMWU National Provident Fund
- SALA Pension Fund
- East London Municipal A Band Provident Fund
- Old Mutual Orion Provident Fund
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- Municipal Employees Pension Fund

The Cape Joint Pension Fund's last actuarial valuation was at 30 June 2009 conducted by S. Neethling from Metropolitan Life Limited. The fund was in a sound financial position. Although this fund is a defined benefit plan it cannot be accounted as such as it is part of a multi-employer plan. In the event of the fund being under funded Council's liability would be limited to increased monthly contributions.

The Eastern Cape Local Authorities Provident Fund's last valuation was at 30 June 2009 conducted by E. Du Toit from Alexander Forbes Financial Services who certified that the structure of the assets and the matching of the assets with the liabilities is adequate.

The Government Employees Pension Fund's last valuation was at 31 March 2008 conducted by G. Barnard from Alexander Forbes Financial Services. The fund was considered to be financial sound.

SAMWU National Provident Fund's last actuarial valuation was at 30 June 2005 conducted by E. Potgieter from Fifth Quadrant Actuaries & Consultants (Pty) Ltd. The report stated that the fund was in a sound financial position.

The SALA Pension Fund's last valuation was at 30 June 2009 conducted by J.F.Rosslee of Genesis Actuarial Solutions. The fund was 96% funded as at valuation date. Low investment returns resulted in a decrease from 110% .Although this fund is a defined benefit plan it cannot be accounted as such as it is part of a multi-employer plan. Although the fund is less than 100 % funded no additional action was recommended.

The Municipal Employees Pension Fund's last valuation was at 29 February 2009 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The funding level was 102.2% at this date.

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

58. Retirement benefit information (continued)

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R 11.6 million.

An amount of R 126.7 million (2009: R 107.3 million) was contributed by Council, Councillor's and employee's in respect of Councillor and employee's retirement funding. These contributions have been expensed.

The East London Municipal A Band and Old Mutual Orion Provident Funds as well as the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are fixed/ defined contribution funds. It is therefore not necessary to perform actuarial valuations for these funds.

The Cape Retirement Fund's last actuarial valuation was at 30 June 2009 conducted by S Neethling from Metropolitan life Limited who certified that the fund was in a sound financial position.

59. Change in estimate

Property, plant and equipment

The useful lives and residual values of certain vehicles were estimated in 2008 and have since been reviewed by management during the current period. The effect of this revision has increased /(decreased) the depreciation charges for the current and future periods as indicated in the table below.

Effect on depreciation				
Change in residual values	-	1,487,907	-	1,487,907
Change in estimated useful lives	-	669,151	-	669,151
	-	**2,157,058**	**-**	**2,157,058**

Other

A lease escalation of 10% was not exercised by the supplier but the entity applied this escalation. This escalation has been reversed and treated as a change in accounting estimate.

The impact on the current year is to decrease the carrying amount of the deferred lease liability and increase the surplus by R 12 168.

60. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Economic entity - 2010

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Trade and other receivables	458,132,377	-	458,132,377
Cash and cash equivalents	559,471,089	-	559,471,089
Non current investment	2,442,805	1,968,141	4,410,946
	1,020,046,271	**1,968,141**	**1,022,014,412**

Economic entity - 2009

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Trade and other receivables	337,950,245	-	337,950,245
Cash and cash equivalents	696,859,146	1,428,755	698,287,901
	1,034,809,391	**1,428,755**	**1,036,238,146**

61. Mapping adjustments to prior statements

		Economic entity		Controlling entity	
Figures in Rand		2010	2009	2010	2009

61. Mapping adjustments to prior statements (continued)

The reason for reclasifications as detailed hereunder was because of incorrect mapping of accounts on the caseware system in the 2008/09 financial year. As management's intention is to add value to the fair presentations of the AFS it was necessary to initiate these mapping adjustments.

	Note	Economic entity 2010	Economic entity 2009	Controlling entity 2010	Controlling entity 2009
Statement of financial performance					
Dividends received from Revenue to Investment revenue		-	165,458	-	165,458
General expenses	34				
Commission paid from collection costs to commission paid		-	6,961,296	-	6,961,296
Legal fees from collection costs to consulting and proffessional fees		-	5,770,602	-	5,770,602
Collection costs from detailed income ststement to other expenditure		-	(12,731,898)	-	(12,731,898)
Materials from stores and materials to consumables		-	4,547,257	-	4,547,257
Stores and materials		-	(4,547,257)	-	(4,547,257)
Expenditure on books from other expenses to magazines, books and periodicals		-	1,730,677	-	1,730,677
Fuel and oil from other expenses to fuel and oil		-	449,089	-	449,089
Courier services from other expenses to postage and courier		-	15,270	-	15,270
Motor vehicle licenses to motor vehicle expenses from other expenses and royalties and licenses		-	2,490,641	-	2,490,641
License fees paid reallocated to royalties and licence fees from other expenses		-	5,979,291	-	5,979,291
Royalties and license fees		-	(908,839)	-	(908,839)
Departmental fire service charges		-	(67,913)	-	(67,913)
Other expenses		-	(9,688,216)	-	(9,688,216)
		-	**-**	**-**	**-**
Revenue	28				
From rendering of services to rates and rates penalties imposed		-	363,493,111	-	363,493,111
Transfers from revenue		-	-	-	-
Dividends received from Revenue to Investment revenue		-	165,458	-	165,458
From other services to other income (Admin fees)		-	1,846,962	-	1,846,952
		-	**365,505,531**	**-**	**-**
Statement of financial performance	38				
Dividends received from Revenue to Investment revenue		-	1,658,458	-	165,458
Service charges	30				
From refuse removal to sewerage charges		-	128,521,741	-	128,521,741
From other services to other income (Admin fees)		-	1,846,952	-	1,846,952
		-	**130,368,693**	**-**	**130,368,693**

Notes to the Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2010	2009	2010	2009

61. Mapping adjustments to prior statements (continued)

Government grants and subsidies	31				
Government grants and subsidies AFS 2009		-	31,701,952	-	31,701,952
Less: trf to public contr operating exp - detailed I&E statement		-	(10,596,479)	-	(10,596,479)
trf to public contr PPE - detailed I&E statement		-	(85,382)	-	(85,382)
		-	**21,020,091**	**-**	**21,020,091**
Employee related costs	35				
Adjustment made incorrectly to other allowances transferred to 13th cheques		-	107,157	-	107,157
Grants and subsidies paid	44				
Transferred from general expenses		-	11,667,489	-	11,667,489
Other revenue	32				
Other income per AFS 2009		-	98,392,497	-	98,392,497
Transferred from other services - note 28		-	1,846,952	-	1,846,952
		-	**100,239,449**	**-**	**100,239,449**

62. VAT payable

Tax refunds payables	405,894	681,545	-	-

63. Impairment of assets

Impairments				
Property, plant and equipment	-	255	-	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount of the asset was based on its fair value less costs to sell or [its value in use.]				

64. Taxation

Major components of the tax expense

Deferred				
Deferred tax	5,774	2,636	-	-
Reconciliation of tax expense				
Accounting gain or (loss)	733,676	(423,260)	-	-
Taxation				
Taxation at the applicable tax rate 28% (2009: 28%)	205,429	(118,513)	-	-
Tax losses carried forward	-	121,149	-	-
Tax losses utilised	(199,655)	-	-	-
	5,774	**2,636**	**-**	**-**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2010	2009	2010	2009

65. Contingent assets

Contingent assets

The estimated amount of recoverable traffic fines for 2010 is R 5 936 485 (2009: R 2 977 877), being 25.42% (2009: 19.00%) of all the traffic fines amounting to R 23 353 588 (2009:R 15 673 039) issued but not yet recovered at year end.

66. Unauthorised expenditure

Contract no.2841 - Supply and delivery of four 4x4 long wheel base vehicles.The delay in communicating the award to the successful bidder resulted in an upward price adjustment to the orginal price of R2 042 000 by R140 000.	140,000	-	140,000	-

67. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of Council and includes a note to the annual financial statements.

During the financial year under review goods/services totalling R83 866 308 were procured and the process followed in procuring those goods/services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Detailed Income statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2010	2009	2010	2009
Revenue					
Property rates	29	427,047,214	363,219,933	427,047,214	363,219,933
Service charges	30	1,285,841,065	1,071,196,058	1,285,863,698	1,071,215,790
Property rates - penalties imposed and collection charges		-	273,177	-	273,177
Rental of facilities and equipment		12,910,100	12,750,387	12,910,100	12,750,387
Public contributions and donations		2,777,749	10,596,479	2,777,749	10,596,479
Fines		8,256,637	7,057,718	8,256,637	7,057,718
Licences and permits		14,116,593	12,250,278	14,116,593	12,250,278
Government grants & subsidies	31	801,834,925	576,742,224	801,834,925	576,742,224
Public contributions-PPE		9,101,628	18,612,302	9,101,628	18,612,302
Other revenue	32	119,803,960	100,239,449	119,803,960	100,239,449
Government grants		-	2,345,653	-	-
Interest	38	86,980,601	83,366,676	86,923,698	83,178,034
Dividends received	38	85,643	165,458	85,643	165,458
Total Revenue		**2,768,756,115**	**2,258,815,792**	**2,768,721,845**	**2,256,301,229**
Expenditure					
Employee related costs	35	(784,865,582)	(671,511,472)	(783,247,583)	(669,519,663)
Remuneration of councillors	36	(19,691,051)	(19,359,060)	(19,691,051)	(19,359,060)
Depreciation and amortisation	40	(516,563,482)	(412,307,529)	(516,522,995)	(412,253,751)
Impairment loss/ Reversal of impairments	63	-	(255)	-	-
Finance costs	41	(108,121,292)	(112,131,447)	(108,121,128)	(112,128,079)
Debt impairment	37	(24,317,321)	(138,109,055)	(24,317,321)	(138,109,055)
Repairs and maintenance		(174,693,436)	(116,799,690)	(174,692,231)	(116,795,076)
Bulk purchases	45	(593,724,187)	(466,747,001)	(593,724,187)	(466,747,001)
Contracted services	43	(8,344,994)	(4,493,097)	(8,344,994)	(4,493,097)
Grants and subsidies paid	44	(19,698,112)	(15,250,436)	(22,900,085)	(16,250,436)
General Expenses	34	(599,120,854)	(521,708,761)	(598,596,715)	(519,863,367)
Total Expenditure		**(2,849,140,311)**	**(2,478,417,803)**	**(2,850,158,290)**	**(2,475,518,585)**
Gain or loss on disposal of assets and liabilities		1,076,212	3,383,856	1,076,212	3,383,856
Actuarial adjustments		(7,891,109)	-	(7,891,109)	-
Fair value adjustments	39	(3,087,502)	61,762	(3,087,502)	61,762
Income from equity accounted investments		-	1,189,087	-	1,189,087
Taxation	64	(5,774)	(2,636)	-	-
Fair value movements in trade and other payables		241,801	2,515,473	241,801	2,515,473
Deficit for the year		**(90,050,568)**	**(212,454,469)**	**(91,097,043)**	**(212,067,178)**